

The recovery of private consumption in Spain by product type and household

Marta Martínez Matute and Alberto Urtaşun



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This article describes the behaviour of household spending during the period 2005-2015 based on information from the Household Expenditure Survey. The recent recovery in consumption was broad-based, but breaking down the data in terms of households' characteristics, the recovery was stronger in those in which the main breadwinner was in work than in those in which he or she was not. By product type, spending on consumer durables, which had shrunk most during the crisis, grew strongest over the two-year period from 2014 to 2015. Despite the strong upturn in consumption in the most recent years of the period considered, in general, median levels of expenditure per household have not yet recovered pre-crisis levels.

THE RECOVERY OF PRIVATE CONSUMPTION IN SPAIN BY PRODUCT TYPE AND HOUSEHOLD

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Introduction

Household spending on goods and services has performed well since mid-2013, making it one of the main drivers of the Spanish economy's recent recovery. Despite the recovery, the intensity of the adjustment in consumption during the recession was such that, according to National Accounts data, at end-2016 it was still approximately 6% below its pre-crisis level. Household consumption expenditure began to contract early on in the crisis, even before real disposable income started falling (see Chart 1), in a context of major changes in financial conditions and macroeconomic uncertainty, which are factors that could explain the increase in precautionary savings during this period [see Arce *et al.* (2013)]. The savings rate gradually began to moderate in 2009, reaching a level below its historical average in 2016, stimulating the recovery in consumption.

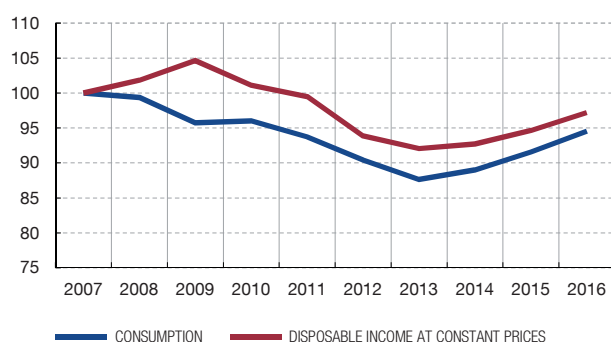
Underlying the performance of aggregate spending there has been a high degree of heterogeneity in terms of how the different types of goods and services have behaved. From this viewpoint various recent studies have shown that the adjustment during the crisis started by affecting durable goods and then spread to spending on non-durables [for example, see Sastre and Fernández Sánchez (2011) and González Mínguez and Urtasun (2015)]. Pent-up demand for durable goods built up during the recession, stimulating consumption of them in the recent cyclical upswing.

The heterogeneity of spending patterns derives from differences in the characteristics of individual households, in terms of their income, employment status, and net wealth. In particular, during the crisis the adjustment was largely driven by heightened uncertainty and the tightening of financial conditions. In many cases, this meant that households diverged from the pattern of consumption smoothing predicted by economic theory. For its part, during the recovery, private consumption is likely to have been buoyed by the strength of employment, in a context of low inflation and wage moderation, in conjunction with favourable financial conditions.

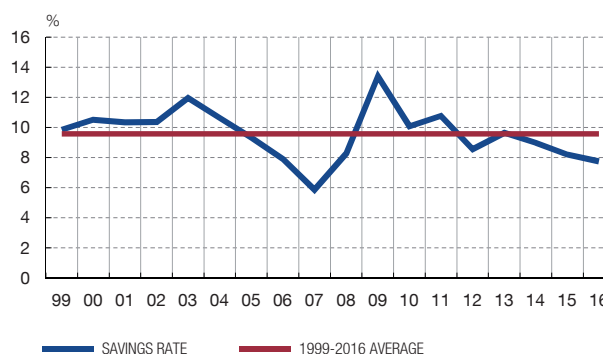
Indeed, the current phase of strong job creation has been reflected in a strong rebound in household consumption. This was mainly via two channels. First, the reduction in the flow of workers from work to unemployment is likely to have been perceived by households as a sign of a decrease in the likelihood of becoming unemployed, boosting confidence and therefore reducing the perceived need for precautionary savings. At the same time, confidence is likely to have improved as the prospects of the unemployed finding work became better.¹ In particular, reduced uncertainty would also explain the upturn in spending on durable goods described in the preceding paragraphs, which was also seen in other euro area countries [see Casado and Cuenca (2015)]. Secondly, there is some evidence of a higher marginal propensity to consume among individuals who find work than among the unemployed. This suggests that an upturn in income driven to a larger extent by job creation will translate into stronger

¹ Unemployed and economically inactive individuals' propensity to consume is also different. Casado and Cuenca (2015) show that an individual's losing his or her job has an impact on consumption that goes beyond the loss of income per se, probably because of the uncertainty this situation creates, whereas starting a job only has an impact directly related to the income effect it produces.

1 CONSUMPTION, INCOME AND SAVINGS AT CONSTANT PRICES (a)



2 SAVINGS RATE



SOURCE: INE.

a Variables shown relative to their 2007 levels.

consumption growth.² On this point, the economic literature reports that increases in income from job creation tend to be devoted almost entirely to spending, whereas those from increases in real wages do so to a lesser degree [see Campbell and Deaton (1989)].

For their part, improved financial conditions would have encouraged household consumption through both lower borrowing costs and easier conditions of access to credit. In this regard, household consumer credit bottomed out in 2014, and returned to growth in 2015. Thus, although households may not have yet completed the deleveraging process, the level of debt no longer appears to be a constraint on consumption, at least at the aggregate level.

This article describes the behaviour of consumption bearing in mind the sources of heterogeneity mentioned, i.e. broken down by product type and characteristics of households (employment status and economic situation), according to the microdata from the Household Expenditure Survey (EPF, by its Spanish abbreviation).³ The remainder of this article is structured as follows. The second section analyses the performance of consumption broken down by product type. The third section shows the differences in the recovery of consumption as a function of employment status, source of income, and other characteristics of the household. Finally, the fourth section describes how the distribution of consumption across households has changed.

The recovery of consumption by product type

Consumption of the various types of goods and services evolved very unevenly over the last economic cycle. This performance is consistent with the available evidence showing that when households suffer an income level shock, there is a range of factors causing heterogeneity in the adjustment of spending on different types of goods and services.⁴

² There is evidence that households whose employment status is more stable have a lower propensity to put aside precautionary savings. Barceló and Villanueva (2010) find that, when the main breadwinner or second earner has a permanent contract, the ratio of financial wealth to income drops by around 30%.

³ The EPF microdata includes households' employment status over the period 2006-2015. The analysis in this article explores the average (mean or median) behaviour of the consumption of households with similar characteristics each year (for example, households whose main breadwinner is employed or unemployed). This technique has been used before in other similar studies taking the household as their unit of study.

⁴ Some authors have illustrated how economic agents respond to changes in their income by adjusting their consumption of the various types of goods and services differently. See Hamermesh (1982), Parker (1999), Bils and Klenow (1998) and Browning and Crossley (2009) for an explanation of the greater elasticity of durable goods consumption, and Charles and Stephens (2006), who analyse the difficulty of adjusting goods associated with housing and basic supplies in the short term.

Category	COICOP classes
a Staple goods	1 Food and non-alcoholic beverages
	6.1 Medical products, appliances and equipment
	7.3 Transport services
	10 Education
b Non-durable goods	2 Alcoholic beverages, tobacco and narcotics
	6.2 Outpatient services
	6.3 Hospital services
	8.1 Postal services
	8.3 Telephone and telefax services
	9.4 Recreational and cultural services
	9.5 Newspapers, books and stationery
	9.6 Package holidays
	11 Restaurants and hotels
	12 Miscellaneous goods and services
c Durables and semi-durables	3 Clothing and footwear
	5 Furnishings, household equipment and routine household maintenance
	7.1 Purchase of vehicles
	8.2 Telephone and telefax equipment
	9.1 Audio-visual, photographic and information processing equipment
	9.2 Other major durables for recreation and culture
	9.3 Other recreational items and equipment, gardens and pets
d Quasi-fixed expenditure	4 Housing, water, electricity, gas and other fuels (including imputed rentals for housing)

SOURCE: Banco de España.

There are products, such as staple goods, whose elasticity to changes in income is very slight. In other cases, in particular in relation to durable goods, there is more scope to adjust purchases over time, as this spending can be postponed without proportionally affecting the utility obtained [see González and Urtasun (2015)].

For the empirical analysis that follows, the various products have been grouped into four categories: staple goods; quasi-fixed expenditure (primarily related to basic supplies);⁵ non-essential non-durable goods; and durable goods. From the national accounts standpoint, this aggregation is obtained from the two-digit COICOP classification⁶ (see Table 1).

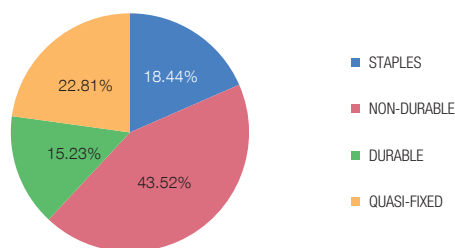
In nominal terms, the category accounting for the largest proportion of expenditure, according to the national accounts, is non-essential, non-durable goods and services, which represented an average of 43.5% of expenditure between 2002 and 2015 (see Chart 2.1), while staple goods, non-adjustable consumption and durable goods represented 18%, 23% and 15%, respectively, in the period.⁷ Chart 2.2 summarises the changes in these four categories, in real terms, distinguishing between the pre-crisis period (2002-2007), the crisis (2008-2013) and the recovery (2014-2015). Aggregate consumption behaved differently in each of these phases. The annual average rose by around 3% in the

5 This group includes housing. Some studies analysing the adjustment in consumption resulting from household income shocks tend to exclude analysis of housing [see Cerletti and Pijoan-Mas (2012)]. However, other authors do take housing into account [see Luengo-Prado (2006)], given its weight in total consumption. In this article it is included in the “quasi-fixed expenditure” category.

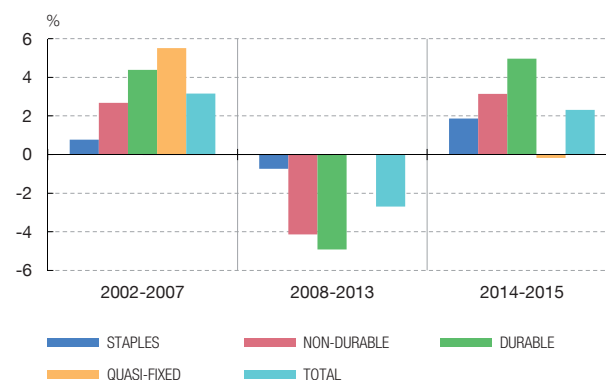
6 The COICOP classification (Classification of Individual Consumption by Purpose) groups households’ consumption expenditure. It is published by the United Nations Statistical Division. Its lowest level of disaggregation (one digit) comprises twelve types of goods and services. To link this classification with the four groups used in this article, the classification with one more level of disaggregation has been used (two digits).

7 This composition is similar to that of the EPF for the period 2006-2015 analysed in the following sections.

1 BREAKDOWN OF CONSUMPTION BY COMPONENT (2002-2015)



2 CHANGE IN AVERAGE CONSUMPTION BY PERIOD



SOURCES: INE and Banco de España.

a Data from Spanish Annual National Accounts (base 2010).

first phase, dropped by just over 2% in the second, and grew by more than 2% in the third. Moreover, there are marked differences in the trends in the four categories of product considered, with spending on non-durable non-essential goods and durable goods showing the biggest cyclical swings. Specifically, spending on durables grew strongest during the recovery, after suffering the biggest drop between 2008 and 2013. For their part, consumption of staple goods and quasi-fixed expenditure contracted less during the crisis and recovered more moderately afterwards.

The general patterns are the same as those shown by the EPF, although with some quantitative differences, reflecting the different information sources (see Table 2). Specifically, according to the EPF, aggregate consumption grew by 2.3% in 2014-2015, with real growth⁸ of over 4% in the case of non-essential non-durable goods and durable goods, categories in which consumption dropped by more than 5% between 2008 and 2013. In the case of staple goods, the trend was also positive in 2014-2015, with growth of 2.8% in the period, after declining at a similar rate during the crisis. By contrast, quasi-fixed expenditure, which contracted only moderately during the crisis, continued to fall during the recovery.

Therefore, the recovery in private consumption reflects a high degree of heterogeneity in the breakdown between products. Another significant source of divergence that is key to understanding both the aggregate trend in household spending and its distribution across products is that deriving from its specific features (economic, employment or social). This, more granular analysis, based on EPF data, is reported in the following section.

The recovery in consumption by employment status and other characteristics of households

Households' consumption patterns usually differ according to their characteristics. The economic and labour market situation,⁹ and the financial constraints they face, affect both their propensity to consume and their response to economic shocks.¹⁰

⁸ To express real growth a price index has been used for each product category, constructed using the total spending data at constant 2006 prices from the EPF.

⁹ Studies by Dynarski and Sheffrin (1987) and Dynarski and Gruber (1997) highlighted the importance of individuals' employment status in determining their consumption patterns. Along the same lines, Castillo *et al.* (2000) and Bentolila and Ichino (2008) have found significant differences in the level of consumption of various goods, depending on whether individuals were in or out of work. More recently, Jappelli and Pistaferri (2014) analysed how temporary changes in income affected household consumption in Italy, focusing particularly on households in which a member was unemployed.

¹⁰ See, for example, fiscal policy stimulus [see Andrés *et al.* (2017)].

CLASSIFICATION OF CONSUMPTION BY HOUSEHOLDS' CHARACTERISTICS

TABLE 2

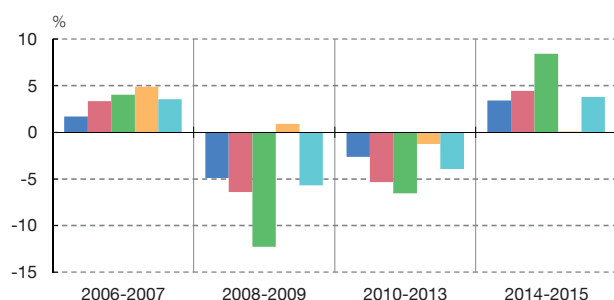
Percentages

	2006-2007	2008-2013	2014-2015
Total consumption (total sample)	4.34	-3.58	2.30
By type of goods			
Staple goods	2.29	-2.84	2.76
Non-durable goods	4.11	-5.14	4.24
Durable goods	5.20	-6.00	5.03
Quasi-fixed expenditure	5.66	-0.99	-1.61
By main breadwinner's contract type			
Temporary contract	8.08	-5.25	2.54
Permanent contract	2.86	-3.09	3.44
By main breadwinner's employment status			
Employed	3.31	-3.67	3.65
Unemployed	7.97	-6.25	0.15
By main breadwinner's source of income			
Salaried/waged	4.26	-3.47	3.64
Self-employed and property income	3.97	-3.95	3.16
Pensions and benefits	6.01	-1.93	1.91
By type of tenure of main residence (b)			
Rented	5.68	-5.22	6.20
Owned with mortgage or other loan	-0.59	-3.74	3.61
Owned without mortgage or other loan	5.23	-2.79	1.53
By main breadwinner's level of educational attainment			
No schooling	4.80	-4.92	3.72
Lower secondary	0.95	-4.55	2.73
Upper secondary	1.54	-4.43	3.61
Higher education	2.20	-3.73	4.43
By main breadwinner's age			
Under 24 years	18.53	-5.92	-10.22
25 to 34 years	1.97	-4.97	6.52
35 to 44 years	3.80	-4.36	3.45
45 to 54 years	3.20	-4.54	3.24
55 to 64 years	4.92	-3.45	3.01
Over 65 years	5.58	0.02	-0.12
Household income			
Bottom income decile	-0.69	-2.14	6.64
10th-25th percentile	-8.32	-2.26	0.71
25th-50th percentile	-2.78	-3.76	2.03
50th-75th percentile	-1.68	-3.82	0.68
75th-90th percentile	-5.19	-3.02	1.49
Top income decile	-1.98	-2.63	0.35
Number of members of household			
1 member	3.66	-0.44	0.46
2 members	3.49	-1.17	3.10
3 members	4.85	-3.29	3.59
4 or more members	3.85	-4.18	3.42
Number of people in work in the household			
0 people in work	7.30	-0.92	-1.03
1 person in work	3.39	-3.03	0.75
2 people in work	4.03	-2.76	3.21
3 or more people in work	-1.65	-2.94	5.38

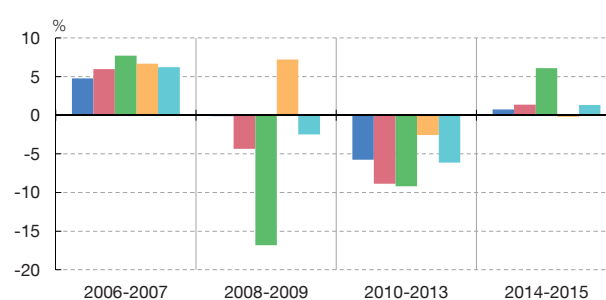
SOURCES: INE and Banco de España.

- a Change measured taking the average for the period of the annual rates of change of median consumption expenditure by households in the same category.
b Households receiving free accommodation or reduced rents (under the old rent-control system) have been left out, given the small number of households in this situation.

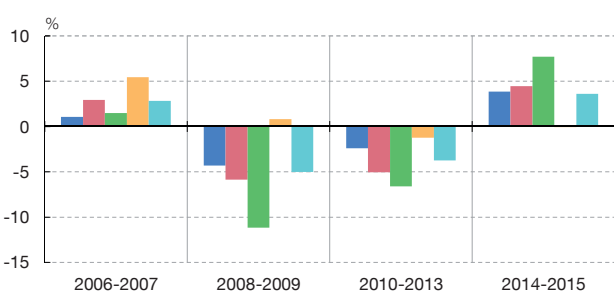
1 CHANGE IN CONSUMPTION. MAIN BREADWINNER IN WORK



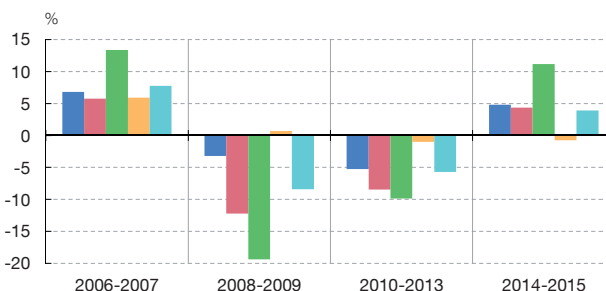
2 CHANGE IN CONSUMPTION. MAIN BREADWINNER UNEMPLOYED



3 CHANGE IN CONSUMPTION. MAIN BREADWINNER ON PERMANENT CONTRACT



4 CHANGE IN CONSUMPTION. MAIN BREADWINNER ON TEMPORARY CONTRACT



STAPLES NON-DURABLES DURABLES QUASI-FIXED TOTAL

SOURCES: INE and Banco de España.

a Change measured using average for the period of annual rates of change of median consumption expenditure by households in the same category.

In what follows, trends in total consumption and consumption by product type are shown, distinguishing between households' employment status. This is done by using information on the characteristics of the household's main breadwinner from the EPF, in particular whether or not he or she is in work, and if employed, whether on a permanent or temporary contract (see Chart 3 and Tables 2 and 3). Consumption picked up during the recovery (2014-2015) in the case of households in which the main breadwinner is unemployed as well as those in which he or she had a job. Among the latter, consumption expenditure rose by 3.7% over the period, while among the unemployed it was much more moderate, at just 0.2%. However, this marked a clear change of trend from the 6% drop registered in the immediately preceding period (2008-2013). For their part, on average, within the set of households whose main breadwinner has a job, total consumption picked up during the recovery more strongly among those with a permanent contract (3.4%) than those on a temporary contract (2.5%), while the adjustment in spending among the latter during the downturn was greater (-5% compared to -3.1% in the case of individuals on a permanent contract). By product type, the behaviour of durable goods consumption showed itself to be the most dynamic in recent years, in all the cases considered.

Therefore, the household's employment status is a key factor in explaining differences in consumption dynamics. Similarly, the strength of the current job creation process in Spain appears to be closely related to the buoyancy of aggregate private consumption observed.¹¹

¹¹ See Chapter 1 of the 2015 *Annual Report* of the Banco de España.

CLASSIFICATION OF CONSUMPTION SPENDING BY PRODUCT TYPE AND HOUSEHOLDS' CHARACTERISTICS (a)

TABLE 3

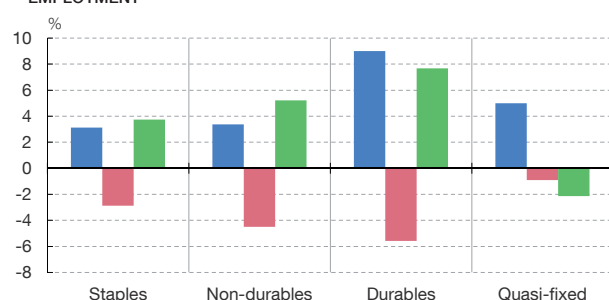
Percentages

	Staple goods			Non-durable goods			Durable goods			Non-adjustable goods		
	2006-2007	2008-2013	2014-2015	2006-2007	2008-2013	2014-2015	2006-2007	2008-2013	2014-2015	2006-2007	2008-2013	2014-2015
Total consumption (total sample)	2.29	-2.84	2.76	4.11	-5.14	4.24	5.20	-6.00	5.03	5.66	-0.99	-1.61
By main breadwinner's contract type												
Temporary contract	9.31	-4.60	4.86	7.58	-7.39	3.38	9.25	-9.32	9.55	6.20	-1.06	-1.02
Permanent contract	0.57	-2.37	3.25	2.73	-4.19	5.23	4.96	-4.99	5.90	4.68	-0.77	-1.67
By main breadwinner's employment status												
Employed	2.26	-2.87	2.91	2.91	-4.62	4.21	6.65	-5.78	6.40	5.09	-0.98	-2.17
Unemployed	5.11	-5.39	3.16	8.27	-8.48	-4.68	12.15	-11.38	7.18	6.79	-1.34	-2.44
By main breadwinner's source of income												
Salaried/waged	2.97	-2.84	3.83	3.83	-4.50	5.08	7.51	-5.47	7.18	4.98	-0.91	-2.24
Self-employed and property income	-0.08	-2.84	0.87	-0.76	-4.80	3.09	-1.29	-5.83	1.19	6.35	-0.97	0.12
Pensions and benefits	4.45	-1.81	1.07	5.63	-2.56	1.70	12.52	-4.89	4.40	6.90	-0.65	-1.06
By type of tenure of main residence (b)												
Rented	11.40	-4.67	4.39	4.45	-7.56	7.24	3.17	-6.41	13.12	7.96	-1.55	0.05
Owned with mortgage or other loan	-2.14	-2.38	3.30	0.76	-4.80	4.71	-0.83	-6.35	5.94	3.57	-1.04	-1.68
Owned without mortgage or other loan	3.09	-2.39	1.27	5.02	-4.51	3.33	6.90	-5.22	2.59	6.05	-0.41	-1.36
By main breadwinner's level of educational attainment												
Uneducated	3.73	-3.57	3.30	2.44	-8.17	6.46	7.08	-9.81	11.52	3.68	-1.34	-0.80
Lower secondary	-0.46	-3.50	2.00	-0.44	-6.66	4.81	-2.01	-7.80	6.05	5.14	-1.54	-1.23
Upper secondary	3.15	-3.64	3.34	0.83	-5.63	3.37	1.25	-6.95	1.05	3.13	-1.64	-1.66
Higher education	-0.29	-2.55	2.80	3.04	-4.65	4.79	1.34	-5.98	7.85	3.01	-1.13	-0.63
By main breadwinner's age												
Under 24 years	8.72	-3.05	-11.50	24.49	-8.82	-5.41	30.02	-8.04	-10.54	22.73	-2.57	-8.79
25 to 34 years	1.89	-4.81	11.66	5.06	-6.10	8.47	7.86	-7.52	14.59	2.46	-2.02	-1.22
35 to 44 years	2.37	-3.71	2.46	5.39	-5.35	4.03	3.28	-6.40	3.73	7.27	-1.67	-2.53
45 to 54 years	1.15	-3.52	1.25	3.61	-6.05	3.26	7.48	-7.04	7.54	3.74	-1.43	-1.30
55 to 64 years	2.84	-2.85	0.12	1.22	-4.71	5.25	9.15	-5.68	6.57	6.05	-0.73	-2.29
Over 65 years	4.33	-0.34	0.94	4.28	-0.18	2.87	11.13	-2.34	2.15	7.25	0.70	-2.26
Household income												
Bottom income decile	5.18	-2.51	6.57	-0.73	-2.87	9.33	2.30	-4.48	9.90	2.20	-0.14	-0.56
10th-25th percentile	-5.93	-2.47	2.21	-14.37	-3.21	-1.31	-11.44	-5.72	8.32	0.16	0.32	-2.58
25th-50th percentile	-0.30	-3.43	5.17	-3.70	-5.60	0.43	-1.81	-7.22	5.49	0.91	-1.12	-0.75
50th-75th percentile	-3.12	-2.65	0.79	-4.32	-5.37	3.42	-3.51	-6.01	3.30	1.80	-1.24	-2.29
75th-90th percentile	-2.27	-2.32	0.19	-2.96	-4.09	3.22	-7.01	-4.84	-0.72	-0.31	-0.80	-1.98
Top income decile	-2.99	-2.14	2.59	0.98	-3.93	3.08	-8.65	-4.13	3.35	0.35	-0.12	0.08
Number of members of household												
1 member	4.93	-1.07	4.37	8.64	0.51	0.18	-1.06	-1.29	3.98	4.97	-0.42	-0.23
2 members	2.51	-1.11	3.94	6.97	-1.33	2.27	3.78	-3.26	8.69	6.82	-0.42	-0.77
3 members	2.43	-2.54	5.22	4.78	-4.45	4.43	6.58	-5.72	5.00	6.19	-1.21	-0.46
4 or more members	0.68	-2.83	1.49	4.08	-5.64	4.71	6.42	-6.43	8.11	4.84	-1.12	-2.68
Number of people in work in the household												
0 people in work	4.86	-1.03	2.53	5.00	-0.02	1.55	9.44	-3.16	4.87	7.54	-0.59	-0.27
1 person in work	0.41	-2.56	2.19	4.12	-4.06	2.38	2.50	-5.29	4.13	4.69	-0.98	-2.20
2 people in work	1.77	-1.83	2.30	2.14	-3.34	4.43	7.24	-4.68	5.98	5.27	-0.48	-2.57
3 or more people in work	-0.25	-1.94	4.15	-1.50	-3.78	4.52	1.62	-3.72	5.15	4.37	0.12	-0.91

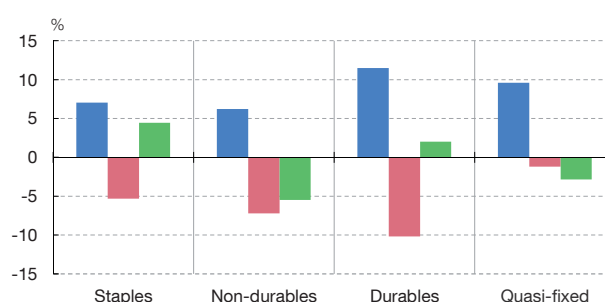
SOURCES: INE and Banco de España.

- a Change measured taking the average for the period of the annual rates of change of median consumer spending by households in the same category.
b Households receiving free accommodation or reduced rents (under the old rent-control system) have been left out, given the small number of households in this situation.

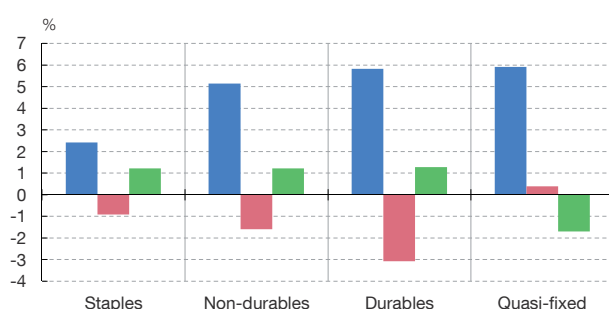
1 CHANGE IN CONSUMPTION IN HOUSEHOLDS WITH MAIN BREADWINNER IN WORK AND WHOSE MAIN INCOME IS FROM EMPLOYMENT



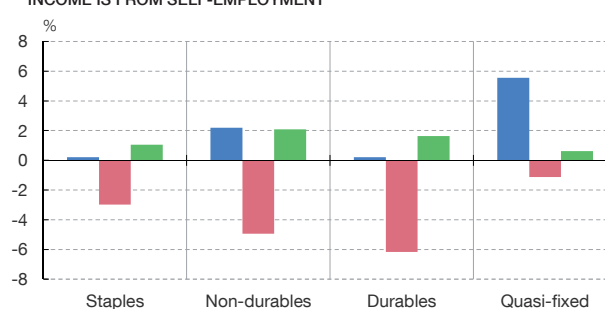
2 CHANGE IN CONSUMPTION IN HOUSEHOLDS WHOSE MAIN BREADWINNER IS UNEMPLOYED AND WHOSE MAIN INCOME IS



3 CHANGE IN CONSUMPTION IN HOUSEHOLDS WHOSE MAIN BREADWINNER IS RETIRED AND WHOSE MAIN SOURCE OF INCOME



4 CHANGE IN CONSUMPTION IN HOUSEHOLDS WHOSE MAIN BREADWINNER IS IN WORK AND WHOSE MAIN SOURCE OF INCOME IS FROM SELF-EMPLOYMENT



2006-2007 2008-2013 2014-2015

SOURCES: INE and Banco de España.

a Change measured using average for the period of annual rates of change of median consumption expenditure by households in the same category.

Three groups of households can be distinguished according to their source of income, i.e. whether it comprises salaries and wages, income from self-employment together with capital and property income, or pensions and benefits.¹² Median consumption expenditure in all these groups decreased during the crisis (2008-2013), and also increased in all groups during the recovery (see Table 2). Nevertheless, the rate of adjustment and subsequent improvement varied, the rate of change being more stable in those households in which incomes came from pensions and benefits.

In what follows, the household data are combined for each type of product type (see Table 3) according to the main breadwinner's employment status and his or her source of income, and the median expenditure for each combination of these variables is calculated. In all cases a close correlation is observed between the adjustment during the crisis and the subsequent recovery in the case of the consumption of staple goods, non-essential non-durable goods. Quasi-fixed expenditure was also observed to decline or remain stable in the two periods, in line with aggregate evidence presented in the previous section. Examining this point more closely, by way of illustration, the median consumption expenditure for the three representative groups of households was calculated: those in which the main breadwinner is in work and whose main income comes from employment earnings, those in which the main breadwinner is unemployed and his or her income

¹² Households with income from other sources have been excluded from the analysis as their high level of dispersion and widely varying characteristics make it impossible to draw any clear conclusions.

comes from unemployment benefits, those in which the main income comes from a retirement pension, and those in which the main breadwinner is self-employed (see Chart 4). The general characteristics described above applied to consumption patterns in all four groups, except for households whose main breadwinners were unemployed or pensioners, which continued to cut back their consumption of non-durable and non-essential goods even during the recovery.

As regards households' financial situation, this has proven to be a highly significant factor in the determination of the propensity to consume. Nevertheless, the EPF only provides limited and incomplete information on this characteristic, centred on the type of tenure of the main residence by the household (i.e. ownership or leasehold) and if the household has a mortgage or other form of loan financing this asset. The evidence shows that in the recent recovery consumption has grown more intensely among households that rent their home than among home owners,¹³ and among home owners, it has grown among those that have a loan or mortgage on their main residence¹⁴ (again, see Table 2).

Households' other socio-economic characteristics may be relevant to understanding the heterogeneity of consumption patterns, such as the age of the main breadwinner, his or her level of educational attainment, income, or the number of members of the household (see Tables 2 and 3). As regards age, the general pattern described also applies, except for households with younger main breadwinners (aged under 24), where the overall reduction in household consumption for all product types was longer and intensified during the recovery. For its part, level of educational attainment produces no marked difference in the pattern of spending. In terms of income levels, over the period 2014-2015 a very significant increase in consumption was observed among households at lower income levels. Thus, in the 10% of households with the lowest incomes, median real consumption went from €9,047.44 in 2014 to €9,648.46 in 2015. This represents a year-on-year increase of 6.6%, which exceeds the increase in median consumption among other households with higher incomes, according to the sample in Table 2. Consumption also recovered more strongly in households with a larger number of members. This fact may be associated with the sharper adjustment in durable and non-durable consumption which took place in larger households during the crisis. Nevertheless, a more detailed analysis of the composition of these households is needed in order to be able to determine this trend's underlying factors during the recovery.¹⁵

The level of consumption and its distribution during the crisis and the recovery

The preceding section focused on the analysis of consumption spending dynamics during the crisis and subsequent recovery. This section complements the foregoing analysis with descriptive evidence on how the level and distribution of average consumption has changed, relative to the main breadwinner's employment status (employed or unemployed) and the type of product (durable, non-durable, staple and non-adjustable).

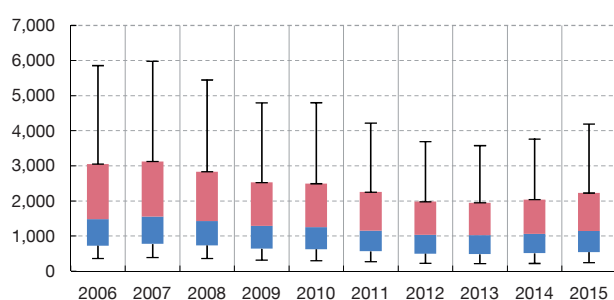
In general, households' average consumption spending in real terms had not returned to pre-crisis levels in 2015. In fact, it stood at about 80% of 2006 levels, despite the recent recovery. As regards changes in the distribution of consumption levels (see Chart 5), the

¹³ It should be noted that the number of households with controlled rents or receiving free accommodation is very small.

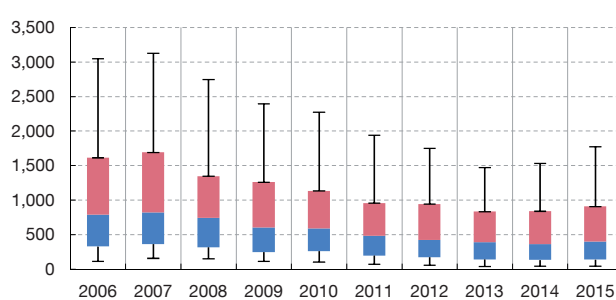
¹⁴ Casado *et al.* (2014) also observe that indebted households' marginal propensity to consume exceeds that of debt-free households. Box 1.1 of the Banco de España *Annual Report 2014* also shows evidence supporting this argument.

¹⁵ Again, see Casado *et al.* (2014), for a comparative analysis of the effect in Spain and Italy that the crisis had on consumption for different households according to their levels of income, wealth, debt, and demographic characteristics, with data from the Spanish Survey of Household Finances

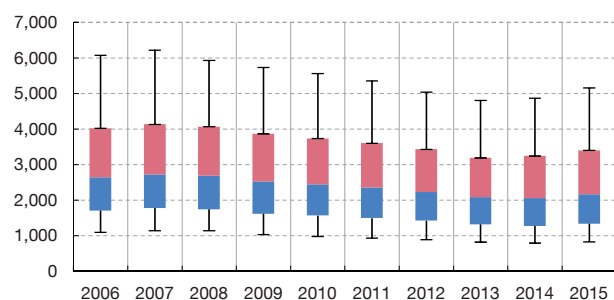
1 DURABLE GOODS CONSUMPTION. MAIN BREADWINNER IN WORK



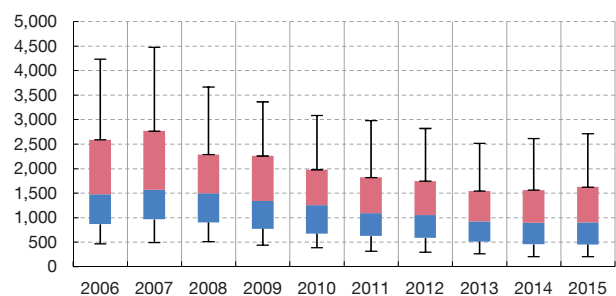
2 DURABLE GOODS CONSUMPTION. MAIN BREADWINNER UNEMPLOYED



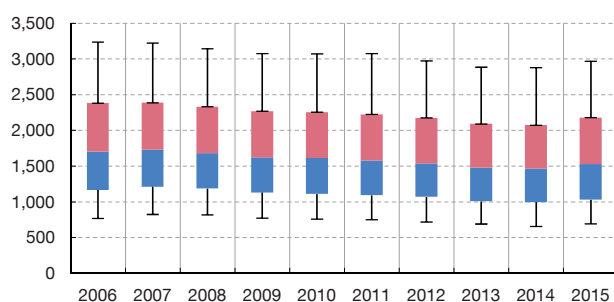
3 NON-DURABLE GOODS CONSUMPTION. MAIN BREADWINNER IN WORK



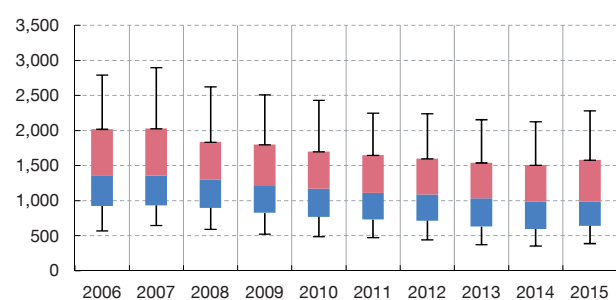
4 NON-DURABLE GOODS CONSUMPTION. MAIN BREADWINNER UNEMPLOYED



5 CONSUMPTION OF STAPLES. MAIN BREADWINNER IN WORK



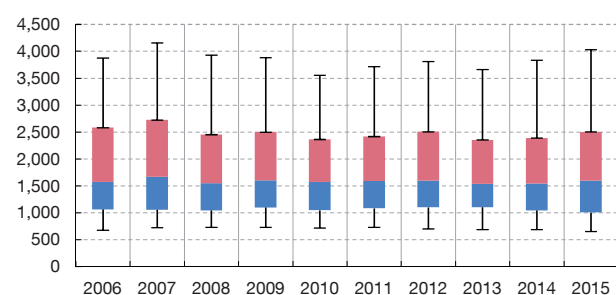
6 CONSUMPTION OF STAPLES. MAIN BREADWINNER UNEMPLOYED



7 QUASI-FIXED EXPENDITURE. MAIN BREADWINNER IN WORK



8 QUASI-FIXED EXPENDITURE. MAIN BREADWINNER UNEMPLOYED



25%-MEDIAN

MEDIAN-75%

SOURCES: INE and Banco de España.

dispersion of spending by the various types of households changed over the sample period considered. Although the dispersion of household expenditure was greater during the pre-crisis period, since 2009 this has gradually narrowed, especially in the case of the consumption of durable and non-durable goods. The reduction in spending, particularly in the case of durable goods, has resulted in the levels of spending by different types of households (classified according to a specific characteristic) becoming more homogeneous. Moreover, the reduction in the dispersion of consumption took place on all levels of the consumption distribution, although the drop was particularly significant in households that were below the median. Meanwhile, no significant differences can be seen as regards the employment status of the main breadwinner. Nevertheless, in the case of non-adjustable and staple goods consumption, the distribution barely shows any time variation for the two types of households, which is consistent with the fact that households alter this type of consumption less in response to changes in income.

Lastly, it is noteworthy that the contraction in the dispersion of durable and non-durable consumption expenditure began to ease in 2014, since when an increase in the dispersion in households whose main breadwinner was either employed or unemployed has been observed. This became more pronounced in 2015. The median spending on durable and non-durable consumer goods began to rise slightly in 2014 in households whose main breadwinner was either employed or unemployed. In sum, the change in the composition of consumption in favour of staple and quasi-fixed expenditure during the crisis led to a narrowing of the differences in consumption between the various types of household. This change was strongly cyclical, as the main underlying factor was the deferral of spending on durable goods, which therefore sprang back during the recovery.

20.6.2017.

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